



Of Interest In Kentucky

Quarterly Newsletter of the Office of Financial Institutions

Issue No. 5, Spring 2008

"The mission of the Office of Financial Institutions is to serve the public through effective and efficient regulation that promotes consumer confidence and economic growth."

Mortgage lending bill is now in effect

House Bills 552 and 471 pass the 2008 session

Two bills passed the 2008 General Assembly session that impact the financial services industry – House Bill 552 regarding mortgages and HB 471 regarding industrial loan companies.

HB 552

HB 552, the mortgage legislation drafted as a joint effort between OFI, industry and consumer groups, was officially signed into law by Gov. Steven Beshear on April 24 and ceremonially signed on April 28. The legislation will strengthen consumer protection, industry regulation and enforcement. All mortgage loan companies, brokers, originators, processors, education providers and exempt companies transacting mortgage business in Kentucky are likely affected by HB 552.

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Photo by John Perkins, Creative Services

Gov. Steve Beshear, seated, ceremonially signs House Bill 552 into law on April 28, while OFI staff members, legislators and others who worked on the bill look on. It was officially signed into law on April 24.

June summit focuses on financial literacy

It's not too late to register for the Life Fundamental\$ 2008 Financial Literacy Summit. Business leaders, policy makers and administrators are invited to attend this first Kentucky summit designed to advance financial education efforts in Kentucky's schools.

Hosted by the Kentucky Council on Economics Education and co-sponsored by OFI, the summit will bring together business people and educators to explore what is currently being done to improve financial liter-



acy in Kentucky, what more can be done and how everyone benefits from an increasingly strong economic and financially literate society.

The summit will be held in Louisville at the Marriott East Hotel on June

25-26. The registration fee is \$50 and includes the luncheon, working sessions and the reception.

Dr. Robert Duvall, CEO/president of the National Council on Economic Education and appointee to President Bush's Advisory Council on Financial Literacy, will provide a national perspective on financial literacy as the keynote speaker for the luncheon on June 25. A host of other speakers,

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Working to keep a foreclosure crisis at bay



Cordell Lawrence

nia, Ohio and others – OFI urges Kentucky lenders and borrowers to stay on top of the situation.

Foreclosures can be kept to a minimum if the industry reaches out to borrowers early. At the same time, OFI urges borrowers to be aware of the details of their loan and how it fits into their household budget. Borrowers should contact their lender at the first sign of trouble.

Awareness is critical, as there is still a large pool of subprime, adjustable loans facing their first reset in 2008 and 2009.

The Mortgage Bankers Association's fourth quarter 2007 National

The foreclosure "crisis" has been front-and-center in today's state and national headlines. While Kentucky does not have the problems facing some other states – notably Nevada, California,

Ohio and others – OFI urges Kentucky lenders and borrowers to stay on top of the situation.

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Delinquency Survey notes that 6.81 percent of Kentucky's 446,646 serviced loans are past due. Of those total loans, 2.32 percent are in foreclosure. When looking specifically at subprime loans, the rate is even higher. Of Kentucky's 51,969 subprime loans, 18.86 percent are past due and 9.61 percent are in foreclosure.

In another view of the situation, RealtyTrac ranked Kentucky 43rd in the nation in terms of foreclosures in its April report. Kentucky had 510 filings in April, or one per 3,702 households. About 2 percent of households are in foreclosure nationwide, and the national average is that 1 in every 519 received a foreclosure filing in April. Nevada, which has the nation's highest state foreclosure rate, had 3.6 times the national average in April with 1 in every 146 homes receiving a filing.

Besides good communication between borrowers and lenders, consumer education and counseling continues to be an important factor in improving the foreclosure situation. At a convention in March, Federal Reserve

Chairman Ben S. Bernanke said, "Troubled borrowers will always require individual attention, and the most immediate impacts of foreclosures are on local communities. Thus, the support of counselors, lenders and organizations with local ties is critical."

OFI is proud to be working with the Kentucky Housing Corp. to establish the new Homeownership Protection Center. This center will be a hub for information, including counseling, to assist a homeowner who is in default or is in danger of default on a home loan. In the near future, lenders will be provided a brochure to distribute to all borrowers at closing that describes the services provided by the center.

In the meantime, citizens can continue to receive support through Kentucky's Don't Borrow Trouble Campaign by calling toll-free 866-830-7868, or the Consumer Credit Counseling Service of the Midwest at 800-355-2227. Those who are already in foreclosure, may contact the national Neighborworks America at 888-995-HOPE.

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Summit coming soon

panel presentations, a roundtable exchange of ideas and a wine reception will round out Wednesday's events.

Thursday's events are focused on professional development for educators and a recognition luncheon for schools and students for successful implementation of in-school personal finance programs.

The Kentucky Council on Economic Education was designated a recipient of a U.S. Department of Education grant through the Excellence in Economic Education program to conduct this innovative summit.

To learn more or to register, visit www.kcee.org/summit/ or call the council at 502-267-3570.

April brings more awareness

The Kentucky Jump\$tart Coalition, which OFI is a member of, once again petitioned the governor to have April declared Financial Literacy Month in Kentucky. Gov. Steven Beshear signed the proclamation during a press conference in the Capitol on April 18.

To celebrate Financial Literacy Month, OFI offered free financial events in April. Two public events in Danville and Lexington about avoiding investment fraud drew more than 135 adults – particularly seniors. OFI staff also visited six high schools in April – educating nearly 350 students on investing, borrowing and budgeting.

Also at the Financial Literacy Month press conference, Jump\$tart announced the Kentucky-specific results of the biennial financial literacy survey. Every other year, the Jump\$tart Coalition surveys 12th-grade students'

knowledge of personal finance and attitudes about managing money.

Unfortunately, the current survey shows that financial literacy continues to decline, both nationally and in Kentucky. Nationally, high school seniors correctly answered only 48.3 percent of the questions, which was a decrease from 2006's average of 52.4 percent correct answers. The Kentucky-specific results show that overall 42.9 percent of the students surveyed answered questions correctly, and no Kentucky students scored a 75 percent or higher on the test.

The results were better on the first-ever Jump\$tart survey of college students. Results indicated 62 percent of questions were answered correctly.

The complete 2008 high school survey can be found in the "downloads" section at www.jumpstart.org.

Bills make several important changes

The broadest changes cover: rules regarding exemptions, standards for mortgage brokers, some deadlines, some legal definitions (for example, “broker” now strictly refers to an entity) and registration of processors.

OFI is hearing a number of questions on the following three changes in particular:

1. Broker fees are capped at \$2,000 or 4 percent, whichever is greater.

2. All processors must be registered and complete required education (just like loan officers) by July 1 using the NMLS Web site. It is the entity’s responsibility (including HUD-exempt entities) to notify third-party processors.

3. Companies must have been HUD exempt or licensed for five years in order to qualify for a HUD exemption. Companies that already have HUD-exempt status will be “grandfathered in” as long as they meet the other rules and renew annually. The above fee cap and processor registration rules apply.

Also, by 2010, testing will be required for loan officers and processors. Establishing standards and processes for conducting this test-

ing will require a joint effort with OFI, the industry, education providers and consumers. OFI asks the industry and others for valuable input to ensure a successful and meaningful transition. More details will be available in coming months.

For more information, visit www.kfi.ky.gov/industryinformation/hb552.htm.

HB 471

Legislation covering revolving credit plans offered by industrial loan companies, HB 471, was signed by the governor April 14. The provisions will take effect July 15.

The bill allows the licensee to charge and collect: a fee or premium for insurance in lieu of perfecting a security interest; a bad check charge of \$25 or the amount passed on from other financial institutions; a reasonable attorney’s fee in connection with the collection of a loan; a \$1.50 charge for credit investigations for each \$50 of the loan principal, permitted up to the first \$2,000; an alternative to the default charge not to exceed 5 percent or \$15; and costs or other expenses authorized for a secured party.

The bill also specifies that licensees shall annually file a financial condition report with OFI.

NMLS deadline is now

Registration, education due June 20

All mortgage companies and individuals have been notified that the June 20 deadline to transition to the new Nationwide Mortgage Licensing System (NMLS) is fast approaching.

Many have registered but have not sent in all education certificates. Registration is not considered complete and will not be approved until education certificates have been mailed to OFI. Education requirements must be met by the June 20 deadline (which will carry through 2009). There is a \$250 reinstatement fee for late registrations.

The transition deadline extends all licenses to the new December expiration date. This partial-year renewal is at a discounted rate, and the fee is paid through the online system. Everyone must then renew by Nov. 30 — the new annual deadline.

Visit www.kfi.ky.gov and click on the “NMLS Kentucky Overview” logo to transition.



In Brief...

OFI donates to March of Dimes

OFI thanks everyone for their help in reaching our goal for supporting the March of Dimes. Employees raised \$1,000 by hosting weekly breakfasts, selling Easter cookies and sponsoring an ice cream social, all coordinated by OFI Executive Secretary Lindy Robinson.

The Environmental and Public Protection Cabinet, which OFI is a

part of, raised a total of \$11,347.80 – taking first place out of all eight cabinets. OFI joined other state agencies for the March for Babies walk on April 18 at the Capitol.

The mission of March of Dimes is to improve the health of babies by preventing birth defects, premature birth and infant mortality. Premature birth is the leading cause of newborn death and many serious health problems.

In Brief...

OFI has investment adviser meetings

The OFI Division of Securities conducted three Investment Adviser Town Meetings in May to discuss compliance and examination issues. The meetings took place in Frankfort, Louisville and Owensboro.

More than 60 people attended the events, representing 57 investment advisers. The Frankfort meeting was attended by 30 people representing 26 investment advisers. As of March, there are 80 Kentucky investment advisers registered with the Division of Securities.

Kentucky places fifth in LifeSmarts

Louisville DuPont Manual High School claimed the state LifeSmarts championship this year, winning the game show style competition on March 6.

However, because of prior commitments,

Bracken County High School – the state runners up – competed in the 2008 national championship in Minneapolis, Minn., April 12-15.

The Kentucky team placed fifth out of 29 teams. The Arizona team took home the 2008 National Championship title.

OFI Contact Information

Main Office:
1025 Capital
Center Drive,
Suite 200
Frankfort, KY
40601
502-573-3390
800-223-2579
Executive
Office Fax:
502-573-8787

Eddyville
Field Office:
500 U.S. 62 East
Eddyville, KY
42038
270-388-4804
Fax:
270-388-7742

Bowling Green
Field Office:
400 East Main
Bowling Green, KY
42101
270-746-7047
Fax:
270-746-7049

Louisville
Field Office:
9112 Leesgate Rd.
Louisville, KY
40222
502-429-3290
Fax:
502-429-3295

Lexington
Field Office:
Spindletop
Administration
Building
2624 Research
Park Drive
Lexington, KY
40511
859-246-2740
Fax:
859-246-2743

Meet the ‘new’ OFI staff member

David Reichert became OFI’s general counsel on May 1. This marks his second “first day” at OFI, as he was a staff attorney for four and a half years before being named general counsel of Housing, Buildings and Construction, where he most recently worked. “I’m very glad to be back,” he said. David has been in state government



since 1995. Prior to that, he practiced corporate and securities law at Wyatt, Tarrant & Combs. He received his undergraduate degree in political science from the University of Louisville and his law degree from the University of Michigan. He lives in Louisville and has an 11-year-old daughter, Katie.

Two enter program

OFI congratulates Teresa Sanders and Anthony Murphy for their acceptance in the Kentucky Certified Public Manager program (KCPM). It is a two-year program in partnership with Kentucky State University.

The KCPM program focuses on developing and enhancing competencies required for effectively improving self, team and group performance. It is appropriate for directors, managers and supervisors as well as those who manage projects or programs. In addition, the program is appropriate for those who have leadership aspirations and potential.

The KCPM program is open to state and government-related entities. The objective is to build and maintain a core of skilled and knowledgeable leaders to direct, manage and supervise employees, programs and projects.

To nominate someone or file an application, visit <http://personnel.ky.gov/gsc/cpm/>. All applications for fall 2008, spring 2009 and summer 2009 must be received by Aug. 1.



Julie Russell (standing), senior regional security manager of the Kimberly-Clark Corporation, speaks during the Financial Records Examination and Analysis training.

OFI hosts training

School covers records investigations

OFI hosted training May 12-16 for law enforcement officers and regulators dealing with records in financial fraud cases.

The Financial Records Examination and Analysis (FREA) training was presented by the National White Collar Crime Center. Instructors Leann Pritt, training instructor with the National White Collar Crime Center, and Julie Russell, senior regional security manager of the Kimberly-Clark Corporation, explained how to re-

view and analyze financial records using computer software, by compiling charts or otherwise getting them ready for presentation to the prosecutor and the court. They also discussed how to testify about them.

About two dozen law enforcement officers and regulators attended from around the country. Five participants were OFI staff members. Andrea Williams, Fayette County assistant commonwealth’s attorney, was a local guest speaker.

“Of Interest in Kentucky” is published quarterly by the Kentucky Office of Financial Institutions to provide useful information to the institutions that it regulates. This issue was produced by Kelly May with the assistance of Lindy Robinson. Reader comments and suggestions are welcome and should be addressed to Kelly at

kelly.may@ky.gov, 502-573-3390, ext. 252, or 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.

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